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SUBJECT: DEMOCRATS AND PPP OUTLINE ECONOMIC PLATFORMS

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¶1. Summary: Leaders of Thailand's likely top two political parties in the coming elections, the Democrat Party and the People's Power Party (PPP), outlined notional economic platforms at an investment conference on September 12-13. The Democrat leader, Abhisit Vejjajiva, said he would scrap the 30 percent capital reserve requirement as well as proposed changes to the Foreign Business Act. He called for confidence-building and productivity enhancement measures, leavened with populist rural programs similar to those of the former Thai Rak Thai (TRT) administration. The PPP's Secretary General, Surapong Suebwonglee, without mentioning

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TRT by name, said his party would largely implement the same policies of the previous Thaksin-led government. "We did it before; we'll do it again," he said, later adding that it would be done "without retribution." End Summary.

¶2. Leaders of the Democrat Party (DP) and the People's Power Party (PPP) outlined their prospective economic platforms before an investment conference audience on September 13 in Bangkok. The two parties are currently seen as the largest potential vote-getters in the planned December 23 elections, with the winner possibly able to form the core of a new coalition government. The conference, organized by Phatra Securities, Merrill Lynch and the Stock Exchange of Thailand, featured a panel comprised of Democrat Party Leader Abhisit Vejjajiva, Secretary General of the PPP Surapong Suebwonglee, and current Minister of Energy Piyasvasti Amranand. Prime Minister Surayud addressed the conference's opening session September 12.

"Investor-Friendly" Program with Populist Flavor

¶3. Abhisit gave the more polished of the presentations, laying out a three-pillar agenda aimed at restoring investor confidence in Thailand after the "economic mismanagement" of the Thai Rak Thai (TRT) administration, led by former PM Thaksin, and the subsequent "year of inaction" following last September's military coup. Abhisit blamed the TRT government for causing political instability and resultant economic stagnation through ill-considered policies and a climate of

corruption and cronyism. The first two pillars of Abhisit's platform laid out plans to "Restore Confidence" and "Invest to Increase Competitiveness" in the Thai economy. The third pillar, "Invest in People", contained a series of populist policies that bore similarities to previous TRT programs targeted to rural constituencies.

¶4. Starting with the first two pillars, Abhisit said the Democrats, if elected, would abolish the 30 percent unremunerated reserve requirement on capital inflows imposed last December by former Finance Minister Pridiyathorn. He said the Democrats would shelve proposed amendments to the Foreign Business Act that were recently debated in the National Legislative Assembly (NLA). He called for greater market liberalization measures, particularly in the services sector and including telecommunications. He further said the Democrats would protect the public interest through enhanced competition laws and commitments to international standards of governance.

¶5. Abhisit said a Democrat-led government would spur domestic demand and increase productivity by funding mass irrigation projects for the agricultural sector (amounting to USD 2.9 billion from the government budget), completion of subway and skytrain mass transit projects (USD 7.4 billion), and renovation and extension of Thailand's railway system (USD 5.9 billion). Abhisit said the Democrats' policy package was aimed at improving crop yields in the agricultural sector, reducing logistics and transportation costs for manufacturing, and spurring innovation in service sector industries such as film entertainment, health care and tourism. He said he believed the government had enough fiscal space to carry out these programs, citing the current public debt-to-GDP ratio figure of less than 50 percent.

¶6. Abhisit's populist programs included a Village Sufficiency Fund to provide credit and grants to farmers and village entrepreneurs. He said this fund would differ from the TRT's Million Baht Village Fund by ensuring that loans would be put to productive use instead of consumption. He

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pledged to improve educational opportunities for students in outlying provinces, expand universal health care, and reform the social security, savings and pension programs to provide an adequate safety net for all citizens. Abhisit did not provide further details on how these programs would be implemented or funded.

¶7. Referring to electoral prospects, Abhisit said he viewed PPP as the Democrats' strongest adversary, and publicly conceded the PPP would win the pivotal Northeast provinces, considered the heart of TRT's former constituency. He added, however, that "the Democrats will win all the others." (A Democrat staffer told Econoff after the seminar that the Party is focusing on promoting its education and irrigation plans in its campaign, and that nationwide TV advertisements over the past several months had boosted its poll numbers around the country.)

People's Power Party: "We Did It Before; We'll Do It Again"

¶8. PPP Secretary General Surapong made no pretense of differentiating his party from its progenitor, although he avoided mention of TRT by name. Surapong defended "the previous government's" economic policies, crediting them with restoring Thailand's growth rates following the 1997 financial crisis and leading to today's climate of strong exports amidst minimal inflation and unemployment. Citing the current account surplus and healthy level of foreign exchange reserves as additional benefits accruing from the TRT program, Surapong said a return to the "dual-track" economic approach (i.e. external economic liberalization combined with populist domestic programs) would alleviate

what he called the two largest challenges faced by the Thai economy today: 1) The negative impact of the strong baht on labor-intensive and agricultural industries, and 2) The decline in domestic demand.

¶9. Surapong said, however, that drastic measures to control the exchange rate were unnecessary, ranking the problem as "less than a 5" on a scale of 1 to 10 in importance. "Many countries would like to be in our situation (of having a strong currency)," he added. He said the PPP's top priority would be to "re-align the mindset and skillset of financial policymakers to match fast-moving developments in global capital markets." He did not elaborate. Surapong attributed his shorter presentation to a "desire to implement the policies that people have already approved." He described at length the research conducted by the previous government to ascertain the needs of the people, and the subsequent implementation of the resulting programs, including the 30 baht health care program, microfinance for village entrepreneurs, and liberalized trade agreements. Declaring that "We did it before, and we'll do it again, with just a few adjustments," Surapong stressed that the PPP would do so "while seeking no retribution" against those who forced the prior government out of power.

¶10. Surapong also criticized the Foreign Business Act amendments, saying "It's time to face facts," and decide which business sectors need foreign investment and which should be restricted. In a short question-and-answer session, Surapong declined to name the PPP thinkers behind the party's economic program (largely believed to include former TRT advisers and Thaksin himself). He stated that "many are afraid to come out into the limelight, but you may start seeing braver members appear next month."

¶11. When asked how his party would work to prevent another coup, Surapong said the PPP's leadership accepted that "mistakes were made in the past, especially with regard to corruption," and that his party had learned lessons to apply to the future. Abhisit, in response, said that democracy is more than just having an election, and requires respect for the rule of law, freedom of expression and human rights (noting past extrajudicial killings). Minister Piyasvasti added that stable democratic governance requires the rule of the majority with respect for the rights of the minority, "something that the previous government did not abide by."

¶12. Energy Minister Piyasvasti, the only current government

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member on the panel, limited himself to mostly non-partisan comments. In fact, his sharpest criticism was of the current government's 30 percent capital reserve requirement, calling for its immediate repeal "hopefully before the end of this administration." He further said that the Bank of Thailand needed to be reined in under the supervision of the Ministry of Finance, "implementing policy rather than creating it." In another observation, he said he hoped the future government would focus strongly on developing nuclear energy, declaring that "you can't reduce global warming and remain self-sufficient without it."

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